DOCUMENT RESUME

ED 027 637 EA 002 094

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Pub Date 17 Feb 69

Note-14p.; Paper presented at the Annual Meeting of the Amer. Assoc. of School Admin. (101st, Atlantic City, N.J., Feb. 17, 1969).

EDRS Price MF-$0.25 HC-$1.80

Descriptors-Assessed Valuation, Demography, Equalization Aid, Federal Aid, *Financial Problems, *Financial Support, Socioeconomic Influences, State Aid, *State Federal Aid, Tax Allocation, *Tax Support, Teacher Salaries, *Urban Schools

Among the many factors contributing to the crisis in big-city school finance are (1) the in-migration of the poor to the cities accompanied by the out-migration of the higher-income people; (2) higher teacher salaries; (3) the new mandates placed on schools such as cradle-to-grave accomodation in educational opportunities, manpower retraining, mental health, self-realization for all, nutrition, and the education of deprived parents; (4) the relative decline in the share of funds going to cities; (5) the municipal overburden of total costs of running cities; and (6) the relatively small amount of Federal funds reaching the cities. Several possibilities exist for easing this crisis: (1) Increases in Federal support, (2) a State aid distribution formula that recognizes the fact of municipal overburden, (3) a State aid formula revision that takes account of population density, (4) a State support formula based on median family income rather than on assessed evaluation of property, and (5) a metropolitan system of taxation set up so that those who move from the city to the suburb will help pay for the problems which this movement causes the city. (HW)

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AASA Meeting
Atlantic City
February 17, 1969

Financing Big City Schools: Some Possible Breakthroughs

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For many years school men have been gathering at this Convention and talking about school finance in one way or another. Twenty years ago, most of us envied the fiscal power, and correspondingly the educational power of the big cities. They may have had problems, but they were not financial problems.

In recent years, these meetings have been increasingly concerned with the problems of big city school finance. If there has been an ascending tone of urgency in the reporting of city school finance problems year by year, it is quite clear that there is now upon us a condition of impending peril. We have been asked today to search for possible breakthroughs that will ameliorate this peril. (story)

I do not suggest that the school administrators and board of education members here assembled resort to this sort of breakthrough, but the need for an equal order of initiative and creativity seems to be called for.

My part of this program is intended to describe the problem, and to touch briefly upon a few ideas that may possess the ingredients of breakthroughs. Others on the program will contribute further to this search for rational solutions to the impending bankruptcy of city education. We are faced with what Thomas James describes as disaster. Based upon his research in educational finance, James states: "Social policy

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for education in all our cities is being held at disastrously low levels."

To give illustration to what I mean by impending bankruptcy, and what James means by disaster in city education, let me cite a recent conversation with Norman Drachler, Superintendent in Detroit. I knew that the Detroit Board of Education had been obliged to borrow several million dollars in its last fiscal year in order to sustain the schools under a newly-bargained teacher salary contract. I asked him how the chances were of raising the necessary revenues to pay off the loan. He replied, "The money is not in sight, and the deficit will be larger this year. We will be 8-10 million dollars in debt, with no funds to pay it off."

In short, what Norman was saying was that the Detroit schools are resorting to deficit financing, borrowing money from banks to stay alive. Collateral? I would suggest that the life of the city, and especially the city's children are the collateral. And I would add that the courage and responsibility demonstrated by Norman and his board is, perhaps, the formulation of a breakthrough that all big cities may have to consider. Spending money you don't have and for which you have no tangible collateral assets or visible means of repayment in any business enterprise is bankruptcy. It is a term to be dreaded in the traditional American idiom. But it may be a rallying cry for the big cities, an act of sober and painful responsibility.

We may be getting ahead of the story in illustrating the soberness of the assigned topic by using the Detroit predicament as an example. Let us examine for a few minutes what is happening to schools in the cities before trying to offer solutions. I will try to cite a few specific issues surrounding the financial operations of the city schools without adding, I

hope, to the ample rhetoric already at hand on the "plight of the cities."

Leaning heavily upon the research and writings of Campbell, James, and Vincent over the past 2-3 years, I see several central issues contributing to the problem:

1. Population shift: The in-migration of the poor to the cities, and the even larger out-migration of the favored population over the past 10 years has substantially changed the character of the big cities. If this trend continues to the ultimate extreme (and there is no sign of abatement), what has been a barely tolerable annual shift can become a stampede.

In New York City this winter the number of people on welfare will surpass 1 million - one in every eight New Yorkers. Ten years ago the figure was less than a quarter of the current load - 240,000. The budget request this year - 1.3 billion for the city - is higher than the Board of Education's budget. Ten years ago it was $235,000,000. Setting aside the grave implications that these figures raise on the subject of state and local resources to meet municipal overburden; setting aside the political competition that this burden demands against school funds - think about what this shifting population means in terms of educational needs. Twenty thousand new welfare recipients are enrolled each month.

In the 1950-60 decade the New York metropolitan area gained 2 million inhabitants. Manhattan and Brooklyn lost 370,000. This picture, while extreme in New York, has its counterpart in every big city, with a falling inner-city population, an increasing public school enrollment, and a burgeoning suburban collar existing because of the city.

One reason for this changing character of the inner city popula-

tion was cited by Secretary Cohen in his final report to the President. The welfare payments to individuals in New York are five times what they are in Alabama and Mississippi. A much larger intervention by federal welfare distribution controls should equalize or at least ameliorate this disparity. If there is, indeed unhappily, to be a continuing population of poor people, Cohen suggests they should be assisted where they are now, equitably, rather than enticed with dollars to the already bursting slums of northern cities.

It is probably a fair statement that for every dropout from the ghetto schools there are more dropouts of favored citizens from the city itself. A breakthrough could be constructed through federal measures to halt the stream of disadvantaged families into the cities by making their circumstances more attractive where they are.

2. Teacher bargaining for salaries has been especially pronounced in the big cities over the past five years. Whatever good reasons existed - and still exist - for increases in teachers' salaries, the bargained salaries have unquestionably drained dollars from city treasuries that without bargained salaries would have been available for other school needs not now being met: smaller classes, more services, new buildings, improved maintenance. This is not to argue against the better salaries. It is simply to say that, faced with strikes, and the dread corollary of civil unrest, big cities have had to confront this new dimension of fiscal policy determinants in recent years more than other parts of the education system. No end to this escalation is in sight.

The Wall Street Journal in late December took note: "Tax revenues in the 580,000 pupil Chicago public school system are expected to fall about $48 million short of requirements in 1969. Officials warn -- that up to 6000 teachers may be cut from the present staff of 22,000 next September if more

money isn't found."

Can there be a breakthrough here? It would be a bitter and prolonged struggle. But the question of teacher productivity along with increased salaries must be faced sometime, as it has been faced in the labor movement. The demands for accountability upon teachers and the grave budget crises now looming, suggest that the teacher organizations themselves (as distinct from alien external forces) mount a major and highly visible program of self-examination on the subject of productivity, and that with every demand for better salaries, there is submitted a corresponding design for increased teacher efficiency. "Productivity" and "efficiency" are unpleasant words in the lexicon of teacher organizations. Outrageous though the idea may be, in my judgment it would be the best thing that teachers could do for themselves, and it would indeed be a massive breakthrough.

3. The American people, during the past ten years, have thrust monstrous new obligations and expectations upon the schools, especially in cities, without realizing that the phenomenon was occurring. And with these new mandates there has been no corresponding increase in resources, and certainly no systematic consultation with the schools as to their competence to meet the new expectations in terms of staff, organization, know-how and facilities. Whereas a few years ago George Counts and other scholars doubted the feasibility of constructing a new social order through the schools, the new social order has been mandated. The focus of the mandate is sharpest in the big cities where the redress of social injustice is twisting the screws of the American conscience.

The new mandate upon the schools includes such vast issues as cradle-to-grave accommodation in educational opportunities, including manpower retraining and employment; mental health, including corrective care; self-realization for all; nutrition; the education of deprived parents in family living - to name a few. For illustration, a recent evaluation of the impact of Title I, ESEA on the disadvantaged children of the country found most of the public schools in default on the subject of health services to poor children. The report declared: "Clearly the present needs combine the emphasis on diagnosis with providing treatment . . ." The same report continues on the subject of mental health services in the schools, "Programs are totally inadequate to meet the treatment requirements imposed by the magnitude of the mental health problem." We in the schools are the first to agree that these desperate needs exist, and that the great disparities between known needs such as grotesque dental care diagnoses and their correction, exist. But we in the schools were never asked whether we could do the corrective job, nor were we offered the resources with which to do the job. So, to those who say the city schools have failed a large proportion of our population, whether in reading for the illiterate family, therapy for the emotionally disturbed, or orthodonture for the dental case, we have to remind them that the nation has drifted into an unrealistic expectation of education, based upon a universal folklore that says, "Somehow education can solve all our social problems." This is a false and demoralizing assumption, both for the client and the practitioner. Perhaps the beginnings of a <u>breakthrough</u> lie in <u>redefining</u> and <u>delimiting</u> the scope and purposes of our schools - establishing priorities and alternatives,

and contracting for new tasks in education only in terms of new and realistic costs and resources, and contracting only for those things which we are able to do. It may well be that some other agency of government - not yet defined or invented - will be the ultimate instrument for attack upon environmental handicaps, quite apart from the schools. The findings of Coleman and others point in this direction.

4. In our brief assessment of big city school money problems, we must look at the overall pattern of fund distribution from all levels of government being expended, and the share going to big city education. The record of the past decade, as reflected by Campbell's research, shows that local and state expenditures for education went up by 151% during the decade, while all expenditures, state and local went up only 126%. However, the bulk of the increase in support went to higher education during the decade, at an increase of 290%. Hence, separating higher education, the funds for elementary and secondary education increased only at 128% - or about at the same level as all other state and local expenditures.

The pattern of expenditure level in the elementary and secondary schools of the cities is even less reassuring. In 1957 central cities afforded $310.00 per child, while their suburbs were spending $303.00. In the ensuing years, while obviously inflation has raised all costs, the expenditures per pupil in the suburbs has forged swiftly ahead of the cities, in spite of a burgeoning growth rate that is nearly double that of the cities. Campbell reports, "The relative decline of expenditures for the education of central city students has occurred simultaneously with a 'sorting out' of the metropolitan population. Not

only has the (total) population of the central city declined, or at best held its own, but the composition of that population has changed as well. In general it is the poor, less educated, non-white American who is staying in the central city, and the higher income, better-educated white who is moving out."[1]

Paralleling this white flight there is a corresponding loss in assessed valuation of real estate in the cities, while enrollments continue to rise, despite total population decreases as well as assessed valuation decreases. For example, during a recent 5-year period the change in assessed valuation was as follows in a number of cities - all decreases:

Baltimore	- 19%	Cleveland	- 9%
Boston	- 5%	Detroit	- 6%
Buffalo	- 8%	Milwaukee	- 10%
Chicago	- 6%	St. Louis	- 11%

While this unhappy condition is known to most of us here, a corallary condition adds further to our problem. Of all the measures of out-put of the schools (test scores, retention rates, college entrance, etc.), the largest factor influencing educational effectiveness of individuals had nothing to do with in-school variables, but was primarily a product of family income. Coleman, Campbell and other scholars, as you know, are building a body of knowledge on this subject. One may extend the message of this research to argue that as the city shifts in its demographic make-up, the investments in education

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[1] American School Board Journal, March 1967.

will not truly begin to be felt until the quality of life in the city is restored to a level that provides income, housing and a social environment that will, in and of themselves, be significant factors in school success, as distinct from the immediate academic efforts of the schools themselves. We may be talking about a generation or more. If there is a breakthrough here, it may reside in the recognition by the public, especially the public that decries the alleged failure of the city schools, that the forces of socio-economic suppression have a much larger impact on learning than anything the schools do or do not do.

5. While it is true that local and state expenditures have risen, and that, lately, Federal funds have begun to flow to the schools, the eternal facts of municipal overburden continue to defeat the present system of city school finance. We have stated that in the suburbs, where the educational needs are generally less, the dollars from local sources are higher. Compounding this aggravation, and reflecting the political reality of state legislatures, the state aid afforded suburban schools throughout the U.S. is $40.00 more per child than that afforded the central city child.

But the real difference rests in municipal overburden. If the city schools were able to secure a share of local taxation comparable to that of the suburbs, they could virtually double their revenues for education. This would indeed be a breakthrough, but it possesses small promise for realization. Typically, the costs of running a city demand two-thirds of the local real estate revenues. This leaves one-third for the schools. Outside the central cities the reverse is true. Typically, two-thirds of the local tax resource is available for the schools, since other services require only one-third.

For example, a study conducted in Pennsylvania a few years ago revealed the Pittsburgh Schools as having access to about 30% of the local real estate tax. In Pittsburgh, 40% of the families are poor - that is, earning at that time less than $4,000 a year. In a neighboring suburb, 70% of the local taxes were available for the schools, and there were very few families, if any, earning less than $4,000 a year. That comfortable community received 50% more per child in state aid than Pittsburgh.

Carrying the findings of the study a step further: in Pittsburgh 32% of the children enrolled were performing significantly below grade level. In Philadelphia, 41% were performing significantly below grade level. Hence, Pittsburgh with 4% of the state's pupils had 8% of the academically unsuccessful; Philadelphia, with 12% of the state's pupils, had 40% of the unsuccessful. This was not a product of inferior schools or teaching. It was a product of the overwhelmingly wretched environment that at this time in America characterizes most of our big city neighborhoods where the poor have gathered. The system of presumed equity in the distribution of state and local funds for the redress of this evil is an Alice in Wonderland of political, legal and economic absurdity.

6. We all know of the limited breakthrough that has occurred with the intervention of Federal funds, particularly the Elementary and Secondary Education Act and the Vocational Education Act. Most of these funds have, rightly, been made categorical as to purpose, thrusting against the great social problems of the nation. They have, accordingly, reached the big cities. But while the intent has been good, the breakthrough has been modest at this point in history. Not only have the funds been so small at about 7-8% of school budgets, but their delivery

has been so uncertain as to support only tip-toe programs - widely diffused, and often unnoticeable in impact.

Despite the high public concern at this time for education and the explosive tensions in the city ghetto schools, Federal funds for ESEA in the current school year reflect a reduction for the first time in twenty years. The decrease in support from the Office of Education is particularly severe in Title I of ESEA, which has been the ray of hope for the cities. The drop from 1.191 billion last year to 1.123 billion this year - or 68 million in reduction amounts to 8%. Combine this with the normal increases of costs and the effects of inflation at say 5% - and the total result is reduction of 13% in services to inner city children.

Perhaps the most promising kinds of breakthrough, however, for the salvation of the cities' schools will still rest upon Federal support. In the new Brookings Institution publication, Agenda for the Nation, Ralph Tyler declares: "It seems reasonable to expect Federal contributions, focused in various ways (and by this I hope he means categorical aid) to increase from less than 8% of the total cost to more than 25% within the next ten years." "Judging by the past record," continues Tyler, "we can expect our schools to meet the demands if given the means . . ."

Short of Tyler's 10-year forecast for significant Federal support, other breakthroughs are needed now. The most just and obvious measure would be a state formula for distribution of aid that recognized the fact of municipal overburden.

Four years ago William S. Vincent of Teachers College declared Equalitation formulas "penalize the city school districts as 'rich'

districts because property values are high. . . What is needed is a (formula) that expresses the relationship between an excessive amount raised for (non school) municipal purposes over what would be normal (for the rest of the state)." In other words, all cities would have access to the same proportion of the local real estate tax as the rest of the state, or the difference would be made up in state support. Simple, and clear-cut, and reasonable as this sounds, it is unthinkable politically in most state legislatures.

There are other possible breakthroughs that relate closely to this one, any of which call for drastic state legislation.

a. Follow Dr. James Conant's suggestion that all funds for public elementary and secondary schools be raised and allocated, according to need by the state, supplemented by Federal funds.

b. A state aid formula revision that takes account of population density. Such a revision was passed in Pennsylvania law following the study of Philadelphia and Pittsburgh which I noted earlier. Density has proven to be a fairly reliable factor for the measure of municipal overburden and poverty. The breakthrough effect of this law, modest though the degree of funding, saved the city schools of Pennsylvania three years ago. (Of course, the rural legislature had to tack on a sparsity factor at the same time to balance the political arrangement, even though some rural areas were at the time receiving as much as 80-90% state support, while the cities were at the 20-25% level.

c. Another breakthrough would be to abandon altogether the ancient practice of basing state support formulas on the assessed evaluation of property as a measure of wealth. A more valid tax would be median family income. And this could, under imaginative administration,

be carried even further to relate educational expenditures within cities to census tracts on the basis of need as reflected in median family income. This would add a multiplier effect to Title I, putting the money where it is most needed.

d. Finally, a breakthrough that strains the imagination for its political realization: That we agree that favored suburbs surround every city. That the flight of the middle class whites and favored Negores to the suburban sanctuary is draining the city of its economic and human resources. That the only reason for the suburb to be is that the city is there. That to qualify to evacuate the city, and seek seclusion, the total costs of the city will be borne by the entire metropolitan area. If people want sanctuary, they pay for it. If the cost is too high, they stay in the city and make it work. A metropolitan system of taxation for central cities would not last five minutes on the floor of a state legislature. The suburban population, the one man one vote power, and the never to be underestimated rural legislator would never stand still for this kind of fair play. It would have to be federal legislation. Oddly, it takes the money where it is, puts it where it is needed, and gives the city the resources that make it a place around which suburbs want to be. But it is probably too simple, too obvious, too reasonable a solution to be effective. Besides very few politicians get elected outside of cities on platforms of concern for city problems.

In time of great crisis the American people rally selflessly to the needs of the nation. A crisis has now reared itself in the big cities of the nation. Our people look to the schools as the primary salvation of the cities. This condition, systematically and soberly

described, with systematic and sober solutions designed, at whatever price, must be made known to the people more effectively than it has been to date, and with more valid and realistic solutions than we have been able to present to date. Given the full facts, including the long time-table, and given the desperate alternatives, the people cannot fail to restore their faith and support in the schools of the cities.